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October 9, 2002

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

Re: Notice of Oral Ex Parte Communication, In the Matter of Review of the
Section 251 Unbundling Obligations of Incumbent Local Exchange
Carriers, CC Docket Nos. 01-338, 96-98 and 98-147

Dear Ms. Dortch:

Yesterday, on October 8, 2002, Mike Pfau, Tony Fea, Mike Leshner, Tony Giovanucci, Deb Waldbaum, Richard Rubin, John Szczepanski and the undersigned, all representing AT&T, met with Robert Tanner, Jeremy Miller, Ian Dillner and Mike Engel of the Commission's Wireline Competition Bureau. The purpose of the meeting was to discuss the general principles that should guide Commission rules regarding UNE availability, as outlined in the attached presentation. All comments made at the meeting were consistent with the attached presentation materials.

Consistent with Commission rules, I am filing one electronic copy of this notice and request that you place it in the record of the above-referenced proceedings.

Sincerely,


A handwritten signature in black ink, appearing to be "JM" followed by a long horizontal stroke.

Joan Marsh

cc: Thomas Navin
Robert Tanner
Jeremy Miller

PRINCIPLES THAT SHOULD GUIDE UNE AVAILABILITY

AT&T Presentation
October 8, 2002



UNE Rules Must Encourage Economically Rational Investment

- All rules must recognize the CLECs' inherent disadvantages in attempting to compete in a market where the ILECs have ubiquitous and efficient networks
- Regulatory rules cannot supersede engineering and economic realities
- CLECs can only invest (or obtain capital) where it is economically rational and practically feasible to build
- UNEs are virtually always needed to establish initial market entry and aggregate demand
- Removal of UNEs will not encourage CLEC investment
- Any rules removing UNEs must have an appropriate transition period

TRANSPORT UNEs

- Carrier build out logically begins with transport
 - Allows aggregation of greatest demand
- Two views of delisting
 - CLECs with enough demand to practically replicate ILEC facilities
 - CLECs that need a competitive market
 - Any carrier can fit either profile, depending on specific local market
- Delisting must be on a route specific basis
- Use/commingling restrictions inhibit CLECs' ability to build transport networks

LOOP UNEs

- All loops have huge fixed and sunk costs and economies of scale
- CLECs can only consider building loops to serve the highest volume customer locations
- Even where it may be economic to build a fiber loop, a CLEC:
 - may not have an accessible fiber ring
 - may not be able to access the building due to landlord restrictions
- Any Commission action must recognize all the above

ULS and UNE-P

- CLECs face substantial disadvantages in attempting to access customers' loops
 - loop provisioning costs, delays and impairments
 - collocation and equipment costs
 - backhaul costs (including termination)
- Until all these impairments are overcome, UNE-P is the only way to serve DS0-based customers

Application of Unbundling Rules

- Only states have the ability to collect and review the applicable data on individual local markets
- The FCC should identify criteria for States to review that encourage economically rational investment after sufficient demand levels are achieved